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Decision No. 90438 JUN 19 1979 ORIGINAL[24]

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY, to issue, sell and deliver by private placement, not to exceed $105,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series KK, Due 2004, and to execute and deliver a Forty-Second Supplemental Indenture.	Application No. 58832 (Filed May 1, 1979)

O P I N I O N

Southern California Edison Company (Edison) requests authority (a) to issue, sell and deliver not exceeding $105,000,000 aggregate principal amount of Edison's First and Refunding Mortgage Bonds, Series KK, Due 2004, (b) to execute and deliver a Forty-Second Supplemental Indenture, and (c) to exempt the proposed sale of bonds from the requirements of the Commission's competitive bidding rule.

Edison requests this authority pursuant to Sections 816, 817, 818 and 851 of the Public Utilities Code. Notice of the filing of the application was published on the Commission's Calendar of May 2, 1979.

Edison is a California corporation engaged in the business of providing electric service to portions of central and southern California.

Edison states that the Series KK Bonds will , (a) be dated June 15, 1979, (b) mature on June 15, 2004, and (c) bear interest at the rate of 9.95% per annum, payable semi-annually. In addition, Edison has stated that certain terms must be made applicable to the bonds in order to achieve what Edison believes to be the overall lowest cost financing available to it under present market conditions. These terms include a mandatory _pro rata_ sinking fund, commencing on June 15, 1985, which provides for the annual redemption of 5% of the aggregate principal amount of bonds originally issued. Bonds redeemed pursuant to the mandatory sinking fund will be redeemed at par plus accrued interest to the date of redemption. Mandatory sinking fund will retire the bonds on June 15, 2004, and will provide an average life for the bonds of 15.5 years. In addition, Edison will have the noncumulative option on each sinking fund redemption date to make optional sinking fund payments for the bonds at par, plus accrued interest to the date of redemption, in amounts not exceeding the mandatory sinking fund payments provided that the total amount of bonds redeemed pursuant to the optional sinking fund provision will not exceed 30% of the aggregate principal amount of the bonds at the date of issuance.

Edison states that the bonds will be subject to a non-refunding provision which will provide that the bonds be non-refundable prior to June 15, 1989, through the operation of the Edison Trust Indenture's special trust fund or the use of borrowed funds or the issuance of Edison's preferred or preference stock which has an effective interest rate, dividend rate or cost to Edison of less than 9.95% per annum. Edison states that subject to the foregoing non-refunding provision, Edison at its election will be able to refund the bonds and that Edison at any time will be able to redeem the bonds, in whole or in part, on a _pro rata_ basis, upon giving at least 30 days' prior notice. Any of the bonds so redeemed or refunded (other than through the sinking fund) will be acquired by Edison at par plus a premium equal to the coupon rate of the bonds which premium will scale down annually in equal decrements to par in the twenty-first year after the year in which they are issued.

Edison states that it presently contemplates that the bonds when issued will be subject to the provisions set forth in its application. Edison states, however, that because the bonds are being offered pursuant to a negotiated private placement, that the terms applicable to the bonds may vary from those set forth in the application. Edison, therefore, seeks authorization to issue, sell and deliver the bonds upon terms substantially consistent with the terms set forth in its application.

Edison, in its application, states that it proposes to issue the bonds, at par plus accrued interest, by private placement. Edison states that, although it has not yet entered into contracts for the sale and purchase of the bonds, it anticipates entering into agreements for such purpose with certain institutional investors. Edison contemplates that these contracts will set forth the structure of the sale of the bonds and will be governed by and in accordance with the laws of the State of New York. Edison will pay the investment banking firms arranging the placement of the bonds a fee of 0.3 percent.

Edison states that the bonds will be issued in accordance with and under the provisions of its Trust Indenture dated as of October 1, 1923, and amendatory and supplemental indentures (all of which having been previously filed with this Commission) and a Forty-Second Supplemental Indenture to be dated as of June 15, 1979. Edison's proposed Forty-Second Supplemental Indenture in a form presently under review by the proposed purchasers of the bonds is set forth as Exhibit "E" to the application. The proposed form of Supplemental Indenture sets forth certain provisions which Edison proposes to be applicable to the bonds and which Edison has stated that it believes are necessary and appropriate, under present circumstances, to achieve the lowest cost of money available to Edison. The Commission notes that it has previously urged Edison to explore alternatives in regard to methods of financing. The private placement of bonds to institutional investors with large amounts of investible funds is one such alternative.

Edison requests an order of the Commission exempting the proposed issuance and sale of the bonds from the Commission's Competitive Bidding Rule as set forth in Decision No. 38614 dated January 15, 1946, as amended from time-to-time in Case No. 4761. Edison's application sets forth the expected advantages of the private placement, which are summarized below:

1. Edison's issuance, sale and delivery of the bonds by private placement will insure that the bonds will bear an interest rate less than 10% which will result in Edison being able to avoid problems which could arise out of the application of California's usury laws to the bonds.

2. The issuance of the bonds by private placement will afford Edison the opportunity to negotiate terms such as maturity date, sinking fund provisions and redemption schedules in a manner calculated to achieve the overall lowest cost financing presently available to Edison.

3. The costs associated with the private placement of securities are less than those which would be expected to be incurred in connection with the public competitive offering of bonds.

4. The offering of securities by private placement enables Edison to tap capital markets otherwise unavailable to it were it to offer the bonds through competitive public offerings.

As of March 31, 1979, Edison's uncapitalized construction expenditures amounted to approximately $1,120,870,000. The utility would use the proceeds from the sale of the bonds, other than accrued interest which would be used for general corporate purposes, to reimburse its treasury, in part, for these uncapitalized construction expenditures. Edison proposes to repay, from such general treasury funds, a portion of its outstanding short-term borrowings, which are expected to aggregate approximately $180,000,000, at the time of repayment.

Edison's capital ratios as of March 31, 1979, and as adjusted for the effect on Edison's prior issuance of (a) the bonds at an assumed principal amount of $105,000,000; (b) the sale of 170,344 shares of Common Stock on April 2, 1979, under Edison's Employee Stock Purchase Plan;[1/] and (c) the sale of 525,000 shares of $100 Cumulative Preferred Stock, 8.70% Series A, on April 25, 1979,[2/] are as follows:

	March 31, 1979	Pro Forma
Mortgage bonds	45.7%	46.2%
Convertible debentures	1.4%	1.4%
Other long-term debt	0.3%	0.3%
Total long-term debt	47.4%	47.9%
Preferred stock	11.3%	11.9%
Preference stock	1.8%	1.8%
Common stock equity	39.5%	38.4%
Total	100.0%	100.0%

1/ Authorized by Decision No. 90059, dated March 13, 1979, in Application No. 58606.

2/ Authorized by Decision No. 90103, dated March 27, 1979, in Application No. 58668.

Edison's construction expenditure for the years 1979 and 1980 will approximate $1,281,970,000. Details of this construction program, estimated as of April 19, 1979, are as follows:

	(Thousands of Dollars)		
	1979	1980	Total
Electric Generating Plants	$557,080	$546,574	$1,103,654
Electric Transmission Lines and Substations	52,673	77,438	130,111
Electric Distribution Lines and Substations	143,995	147,640	291,635
Other Expenditures	21,920	17,650	39,570
Total	775,668	789,302	1,564,970
Less: Allowances for Funds Used During Construction	123,000	160,000	283,000
Funds Used or Required for Construction Expenditures	$652,668	$629,302	$1,281,970

The staff of the Commission's Operations Division has reviewed Edison's 1979 and 1980 construction program, which is attached as Exhibit "C" to the application, and believes that the estimated construction expenditures are reasonable and has no objection to the proposed bond issue.

Edison's cash requirements for 1979 and 1980, estimated as of April 26, 1979, are as follows:

(Thousands of Dollars)

	1979	1980	Total
Funds Used/Required for Construction Expenditures	$652,668	$629,302	$1,281,970
Maturities:			
First and refunding mortgage bonds: Series F, due 8/15/79 (3%)	30,000	-	30,000
First mortgage bonds (Cal-Electric) Series of 2-7/8, due 6/1/80	-	6,000	6,000
Convertible debentures due 8/15/80, (3-1/8%)	-	74,902	74,902
5-1/2% Promissory Notes	3,737	3,642	7,379
Short-Term Debt/(Temporary Investments) Outstanding as of Beginning of Year	(61,000)	-	(61,000)
	625,405	713,846	1,339,251
Less: Estimated Cash Available from Internal Sources	156,300	87,000	243,300
Additional New Money Required from Outside Sources	$469,105	$626,846	$1,095,951
To be provided as follows:			
(1) Estimated proceeds from sale of common stock under the Dividend Reinvestment and Stock Purchase Plan authorized by Decision No. 89463, dated October 3, 1978, in Application No. 58268.	$ 23,700	$ 26,070	$ 49,770
(2) Estimated proceeds from sale of common stock under the Employee Stock Purchase Plan authorized by Decision No. 90059, dated March 13, 1979, in Application No. 58606.	22,600	24,860	47,460
(3) Estimated proceeds from sale of common stock under the Tax Reduction Act Stock Ownership Plan authorized by Decision No. 87785 dated August 30, 1977, in Application No. 57478.	184	5,000	5,184

(4) Proceeds from sale of 525,000 shares of $100 Cumulative Preferred Stock, 8.70% Series A authorized by Decision No. 90103, dated March 27, 1979, in Application No. 58668.	52,500	-	52,500
(5) Estimated Proceeds from sale of First and Refunding Mortgage Bonds Series KK	105,000	-	105,000
(6) Additional cash requirements	265,121	570,916	836,037
	$469,105	$626,846	$1,095,951

The Finance Division of the Commission staff has analyzed the cash requirement forecast attached to Edison's application as Exhibit "D", and determined that internally generated funds will provide only 25% of the capital expenditures estimated for 1979 and 12% for those estimated in 1980. The Finance Division has concluded that the proposed bond issue will therefore be necessary to help Edison meet its cash requirements.

Findings of Fact

1. Southern California Edison Company is a California corporation operating under the jurisdiction of this Commission.

2. Southern California Edison Company has need for external funds for the purposes set forth in the application.

3. The proposed bond issue is for proper purposes.

4. The proposed redemption restriction is reasonable.

5. The private placement is reasonable.

6. There is no known opposition to Southern California Edison Company's application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The proposed Forty-Second Supplemental Indenture would not be adverse to the public interest.

3. The sale of the proposed bonds should be exempt from the Commission's Competitive Bidding Rule.

4. The money, property or labor to be procured or paid for by the bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

5. On the basis of the foregoing findings, we conclude that the application should be granted.

This Commission does not object to Southern California Edison Company's situating and structuring the issuance and sale of the proposed First and Refunding Mortgage Bonds, Series KK in the State of New York.

The action taken herein is for the purposes of this proceeding only, and is not to be construed as indicative of amounts to be included in proceeding for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company may execute and deliver a Forty-Second Supplemental Indenture in substantially the same form as attached to the application as Exhibit "E".

2. Southern California Edison Company is authorized to issue, sell and deliver not exceeding $105,000,000 aggregate principal amount of its First and Refunding Martgage Bonds, Series KK, Due 2004, upon terms and conditions consistent with those set forth in the application.

3. The proposed sale of the bonds is exempted from the Commission's Competitive Bidding Rule set forth in Decision No. 38614, dated January 15, 1946, as amended in Case No. 4761.

4. Southern California Edison Company shall apply the net proceeds from the sale of the bonds to the purposes referred to in the application.

5. Southern California Edison Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. This order shall become effective when Southern California Edison Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is $58,500.

Dated at San Francisco, California, this 14th day of JUNE, 1979.

President

Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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By